

Ofgem decision to Approve P508: Removal of TERRE references from the BSC

Decision	The Authority ¹ directs that this modification be made ²
Target audience	National Energy System Operator (NESO), Parties to the BSC, the BSC Panel and other interested parties
Date of publication:	20 July 2026
Implementation date:	29 October 2026

Background

BSC Modification P344 introduced provisions into the Balancing and Settlement Code (BSC) to support participation in the Trans-European Replacement Reserve Exchange (TERRE), a European platform for trading replacement reserve electricity between transmission system operators. Those provisions were intended to support Great Britain (GB) participation in TERRE and the associated balancing arrangements relevant at that time.

Following the United Kingdom (UK) departure from the European Union (EU), the TERRE-related provisions were retained in the BSC because they could have become applicable if arrangements for GB participation in TERRE as a third country had been agreed. However, following the discontinuation of TERRE systems from December 2025, those provisions are no longer capable of practical application.

As a result, the TERRE-related provisions introduced by P344 are no longer applicable as originally intended. In addition, TERRE ceased its operation on 31 December 2025. P508 therefore seeks to remove redundant TERRE references from the BSC and related documents to improve the quality and efficiency of the Code. This decision forms part of the wider removal of redundant TERRE-related provisions from industry codes and should be read alongside our decision on Grid Code Modification GC0179.

¹ References to the “Authority”, “Ofgem”, “we” and “our” are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) support GEMA in its day-to-day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

As P508 proposes changes to legal text that forms part of the Article 18 terms and conditions (T&Cs) for balancing under the Electricity Balancing Guideline (EBGL),³ we have considered its impact on those T&Cs. Article 18 of the EBGL required the Transmission System Operator (TSO)⁴ to develop balancing T&C for Balancing Service Providers ("BSPs") and Balance Responsible Parties ("BRPs").⁵ On 8 October 2019,⁶ we published our decision to confirm, upon satisfaction of certain conditions, that the T&C proposed are the T&C required by Article 18 of the EBGL. On 25 June 2020, all the necessary conditions were met, and the proposed T&C came into force in Great Britain. We note that the proposed legal text changes for BSC modification P508 include changes which affect the T&Cs.

The modification proposal

NESO raised BSC Modification P508, "Removal of TERRE references from the BSC". The proposal was presented to the BSC Panel on 12 March 2026 and seeks to remove redundant processes to TERRE from the BSC.

The proposal aims to improve the current arrangements by removing BSC provisions that are no longer applicable following the UK's departure from the EU. P508 would:

- remove outdated TERRE references from the BSC
- remove related references from the BSC governance rules, glossary and list of definitions
- make the BSC clearer and easier to administer by removing text that no longer has a practical purpose

The proposer considers that P508 would better facilitate Applicable BSC Objective (d),⁷ which concerns promoting efficiency in the implementation and administration of the balancing and settlement arrangements. The proposer's view is that removing redundant text

³ [Commission Regulation \(EU\) 2017/2195](#) establishing a guideline on electricity balancing, as amended and applied in Great Britain by Schedule 2 (Amendments to the Electricity Balancing Regulation) of [The Electricity Network Codes and Guidelines \(Markets and Trading\) \(Amendment\) \(EU Exit\) Regulations 2019](#)

⁴ National Grid Electricity System Operator was the relevant transmission system operator at the time. NESO now carries out the relevant functions, following its incorporation on 1 October 2024.

⁵ See footnote 4 and our decision of 14 September 2018 [Decision on the assignment of Transmission System Operator obligations under the Guideline on Electricity Balancing Regulation within GB | Ofgem](#)

⁶ [Decision on the Transmission System Operators' proposal for the Terms and Conditions related to Balancing | Ofgem](#)

⁷ The Applicable BSC Objective (d) is, "promoting efficiency in the implementation and administration of the Balancing and Settlement Arrangements."

will make the BSC more efficient to administer. The proposer considers the modification to be neutral against the other Applicable BSC Objectives.

The proposer also states that P508 is expected to have minimal impact on BSC parties because it does not introduce new obligations, and instead only removes provisions that are no longer applicable.

BSC Panel⁸ recommendation

At the BSC Panel meeting on 14 May 2026, the Panel unanimously recommended that P508 should be approved. The Panel considered that P508 would better facilitate Applicable BSC Objective (d), as removing obsolete TERRE-related text from the BSC would improve the efficiency of administering the Code.

The Panel considered P508 to be neutral against the other Applicable BSC Objectives. The Panel also agreed that P508 impacts the EBGL Article 18 terms and conditions held within the BSC but is neutral against the EBGL objectives.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR)⁹ dated 19 May 2026. We have considered the consultation position set out in the FMR, which confirms that no responses were received to the Report Phase Consultation. We have not identified any stakeholder evidence that would alter our assessment. Therefore, we have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the applicable objectives of the BSC¹⁰
- directing the modification be made is consistent with our principal objective and statutory duties¹¹

The modification is administrative in nature and removes provisions relating to TERRE arrangements that are no longer applicable. We are satisfied that these changes do not alter

⁸ The BSC Panel is established and constituted pursuant to and in accordance with Section B of the BSC and Condition E1 of the Electricity System Operator Licence.

⁹ BSC modification proposals, modification reports and representations can be viewed on the [Elexon website](#)

¹⁰ As set out in Condition E1 of the [Electricity System Operator Licence](#).

¹¹ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Electricity Act 1989.

any existing balancing obligation or the operation of the balancing and settlement arrangements. On that basis, we do not expect P508 to adversely affect consumers, competition, BSC parties, NESO, industry systems or the operation of the transmission system.

Reasons for our decision

We have decided to approve P508 because we consider that it better facilitates Applicable BSC Objective (d) and has a neutral impact on the other Applicable BSC Objectives.

(d) promoting efficiency in the implementation and administration of the Balancing and Settlement Arrangements

We agree with the BSC Panel and the proposer that P508 better facilitates Objective (d). The modification removes TERRE-related provisions that are no longer applicable following the UK's departure from the EU.

We consider that retaining provisions relating to arrangements that are no longer applicable creates unnecessary complexity in the BSC. Removing those provisions should improve the clarity, quality and usability of the Code and reduce avoidable administrative burden for those maintaining and using it. As P508 does not introduce new obligations or change the practical operation of the balancing and settlement arrangements, we consider that it better facilitates Objective (d).

Other Considerations

We have also considered the impact of P508 on the EBGL Article 18 terms and conditions held within the BSC. The modification removes references associated with TERRE arrangements that are no longer applicable following GB's inability to participate in TERRE as originally envisaged. We are satisfied that these changes do not alter any existing balancing obligation or the operation of the balancing and settlement arrangements. We are therefore content that P508 is neutral against the EBGL objectives.

For these reasons, we consider that P508 should be approved.

Decision Notice

In accordance with Condition E1 of the Electricity System Operator Licence, the Authority hereby directs that modification proposal BSC P508: Removal of TERRE References from the BSC be made.

As a consequence of the above, we also approve the resulting amendments to the T&C, including the removal of TERRE-related provisions from BSC Sections H, N, Q, S-2, S-3, T and V, and related references from the BSC governance rules and Glossary Sections X-1 and X-2.

James Hill

Principal Policy Expert- Electricity System Operation

Signed on behalf of the Authority and authorised for that purpose